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ABSTRACT

A study compared the effectiveness and cost of the New York Department of Labor's (NYDOL) major programs with those aspects of similar programs operated by the other 49 states, District of Columbia, and Puerto Rico. It reviewed NYDOL records, interviewed NYDOL managers, analyzed data from the U.S. DOL, and contacted officials in some other states. Findings indicated that the referral and placement rates for New York's Job Service program were lower than the rates in most other states. During the five program years ended in 1991, the performance of New York's Job Service program declined in comparison to the rest of the country. New York's referral and placement rates were lower than the rates of other states with high cost Job Service programs and higher unemployment rates. Staff productivity, in terms of placements, declined during this period. New York's Job Service program served far fewer unemployment insurance recipients than programs in California and Texas. New Yorkers tended to stay on unemployment insurance for longer periods of time than individuals in California and Texas and the nation as a whole. A review of federal data relating to other employment service programs, such as veterans' employment programs, dislocated workers programs, and summer youth programs, showed that, in some cases, the cost of New York's programs appeared inconsistent with the cost of the programs in the other states. (Appendixes include comments of NYDOL officials and State Comptroller's Notes.) (YLB)

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# State of New York
# Office of the State Comptroller
# Division of Management Audit

## DEPARTMENT OF LABOR

## STUDY COMPARING NEW YORK'S PROGRAMS TO OTHER STATES

### REPORT 93-D-21

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# State of New York
# Office of the State Comptroller

**Division of Management Audit**

**Report 93-D-21**

The Honorable John F. Hudacs
Commissioner
New York State Department of Labor
W.A. Harriman State Campus
Albany, NY 12240

Dear Commissioner Hudacs:

The following is our staff study comparing the Department of Labor's major programs to similar programs in other states.

This study was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law.

This study was performed under the direction of David DeStefano, Audit Director. Major contributors to this study are listed in Appendix A.

*Office of the State Comptroller*
*Division of Management Audit*

March 11, 1993

# Executive Summary

# Department of Labor - Study Comparing New York's Programs to Other States

## Scope of Study

In its major programs, the Department of Labor processes unemployment insurance payments for those who have lost their jobs and provides employment services such as job training, job placement and career counseling free of charge. Most Department activities are funded by the Federal government. For example, the Department's 1989-90 budget, which totaled $2.1 billion, included only $56 million in State funding. Most of the Department's expenditures are for unemployment insurance benefits paid to unemployed individuals; such payments totaled $1.8 billion during 1989-90. The Federal government funds labor programs in every state and maintains extensive data about these programs. This data generally provided the basis for our study.

We compared certain aspects of the Department's major programs to similar programs operated by the other 49 states, the District of Columbia and Puerto Rico in order to address the following question:

- How does the effectiveness and cost of the Department's programs compare to the effectiveness and cost of the programs operated by the other states?

## Observations and Conclusions of Study

One of the Department's largest programs is the Job Service program, which cost about $56 million during the 1989-90 program year. Our study raises several questions about the Job Service program, such as, low placement rates and the apparent decline in staff productivity, that need to be addressed by the Department and State policymakers. Our comments on the programs outcomes are summarized in the following paragraphs.

We reviewed the reported rates at which applicants were referred to jobs and placed in jobs through this program. We found that the referral and placement rates for New York's Job Service program were lower than the rates in most other states. For example, during the program year ended in 1991, New York's job placement rate of 13 percent ranked 37th in the nation. During that year, the average placement rate for the nation was 17 percent. (see p. 4)

We also found that, during the five program years ended in 1991, the performance of New York's Job Service program declined in comparison to the rest of the country. For example, while New York's placement rate declined by nearly 37 percent during this period, the national average fell by only 11 percent. In addition, while the national average for referrals increased by 10 percent New York's referral rate declined by 9 percent. (see pp. 4-5)

We also compared New York with other states that had high cost programs and with states with similar unemployment rates. We found that New York's referral and placement rates were lower than the rates of other states with high cost Job Service programs and higher unemployment rates. We also found that it appears staff productivity, in terms of placements, declined during this period. During the five program years ended in 1991, the number of applicants placed per staff decreased by about 23 percent from 138 placements in 1986-87 to 106 placements in 1990-91. (see pp. 5-8)

It should be noted that during this five-year period, the Department reported that New York lost about 250,000 jobs. While it is likely that this impacted placements, we believe that there was opportunity for more placements than actually occurred. For example, the number of unfilled job openings received annually from employers ranged from about 221,700 to 396,300 during the five-year period reviewed. (see p. 5)

We compared the Job Service programs and the Unemployment Insurance programs in different states, focusing on the programs in New York, California and Texas. We found that New York's Job Service program served far fewer unemployment insurance recipients than the Job Service programs in California and Texas. We also observed that New Yorkers tend to stay on unemployment insurance for longer periods of time than individuals in both the other two states and the nation as a whole. Expanding the use of new York's Job Service program for unemployment insurance recipients may reduce New York's average length of time for paying unemployment insurance benefits. This would result in a savings for New York employers, since they pay for unemployment insurance benefits through payroll taxes. (see pp. 9-11 )

We also reviewed Federal data relating to other employment service programs, such as, veterans employment programs, dislocated workers programs, and summer youth programs. We found that, in some cases, the cost of New York's programs appeared inconsistent with the cost of the programs in the other states. Some of this inconsistency may be due to Federal reporting requirements, which do not account for state funds that are used in operating the programs. (see p. 11)

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# Introduction

## Background

The Department of Labor's (Department) major programs include processing unemployment insurance payments for those who have lost their jobs and providing employment services such as job training, job placement and career counseling free of charge. Most Department activities are funded by the Federal government. For example, the Department's 1989-90 budget, totaled $2.1 billion, of which only $56 million was from State sources. The source of most of these Federal funds is payroll taxes paid by state employers.

Depending on the funding source, the Department uses different periods to report costs and program results. For example, State-funded programs are reported on the April 1 through March 31 State fiscal year. Federally- funded programs are reported on either the July 1 through June 30 program year or on the October 1 through September 30 Federal fiscal year. Because of these different periods, this study describes certain Department programs, expenditures and outcomes for the period April 1, 1989 through September 30, 1990; we refer to this period as 1989-90 in our report. For the Job Service Program our study encompassed the five program years ended June 30, 1991.

## Scope, Objectives and Methodology of Study

We focused on reported costs and performance statistics for the major programs operated by the Department during the period April 1, 1989 through September 30, 1990. The objective of our study was to compare the levels of performance achieved by each of these programs to the levels of performance achieved by similar programs operated by the other 49 states, the District of Columbia and Puerto Rico (states). To attain our objective, we reviewed and summarized Department records, interviewed appropriate Department managers, obtained and analyzed data from the United States Department of Labor (USDOL) and contacted officials in some of the other states. We did not audit the USDOL data. In certain instances, we have made comparisons of such statistical data for the five program years ending September 30, 1991.

We have included cost data for some programs for informational purposes only. It is important to note that USDOL cautions users of its data to be aware that multiple funding sources support

employment service activities in many states and, accordingly, the cost data reported is not always comparable from state to state.

## Response of Department Officials to the Study

Draft copies of this study report were provided to Department officials for their review. Their comments were considered in preparing this report.

# Employment Service Programs

USDOL funds employment service programs in every state. Utilizing USDOL statistics for the five-year period 1986-87 through 1990-91, we found that, in recent years, Department employment service programs did not place individuals in jobs or refer individuals to jobs at a level comparable to the national averages. Our review further showed that the Department's placement and referral rates, as well as New York's ranking in the nation, declined during the period. We also determined that, during the period, there was a decline in the number of employment service applicants placed in jobs by each Department employment service staff. USDOL records also showed that New York's employment service programs did not provide services to most of the people receiving unemployment insurance benefits and that other large states served higher percentages of unemployment insurance recipients than New York. This study raises several questions concerning New York's employment service programs that need to be addressed by the Department and State policymakers.

As previously noted, some of the cost data provided to USDOL by the other states may not be fully comparable to the data from New York. Furthermore, Department officials contend that outcome data may not be comparable. Nevertheless, our study shows that the Department needs to analyze its employment programs to determine whether outcomes can be improved.

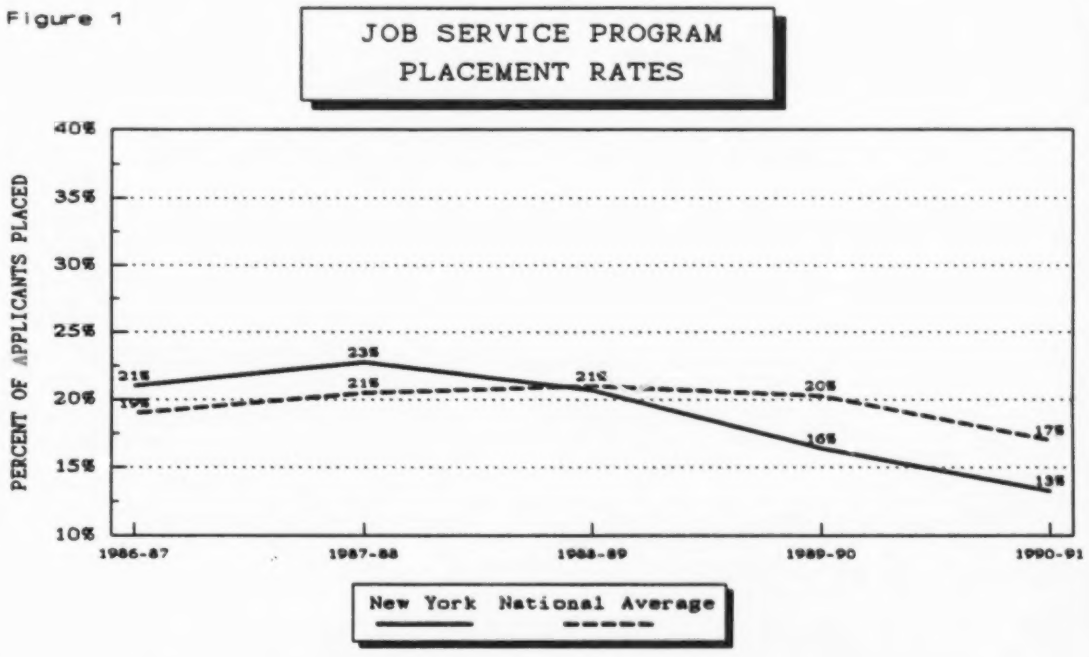
## Job Service Program Outcomes Need Review

The Wagner-Peyser Act of 1933 funds the Job Service program, one of the largest Department employment service programs. The Federal government allocates Wagner-Peyser funds to states based on the relative number of employed and unemployed in each state's workforce. In 1989-90, the Department reported spending almost $54 million of Wagner-Peyser funds plus receiving an additional $2 million from other sources to operate the Job Service program. According to data reported to USDOL, these funds provided services to 791,000 job seekers, of whom 129,000 found jobs.

USDOL considers job placements and job referrals to be critical elements in evaluating the effectiveness of employment service programs. We compared the Department's placement and referral rates with the placement and referral rates of the other 49 states, the District of Columbia and Puerto Rico for the five-year period.

We found that in program years 1986-87 and 1987-88 , New York's placement rate was about 10 percent higher than the national average and New York ranked 21st and 23rd, respectively, in the nation for the two years. However, in program year 1988-89, New York's placement rate slipped to the national average. By program year 1990-91, New York's placement rate had declined to 13 percent and New York ranked 37th in the nation. New York's placement rate fell by nearly 37 percent during the period, while the national average fell by only 11 percent. Figure 1 compares New York's job placement rate with the national average for the five-year period.

Figure 1

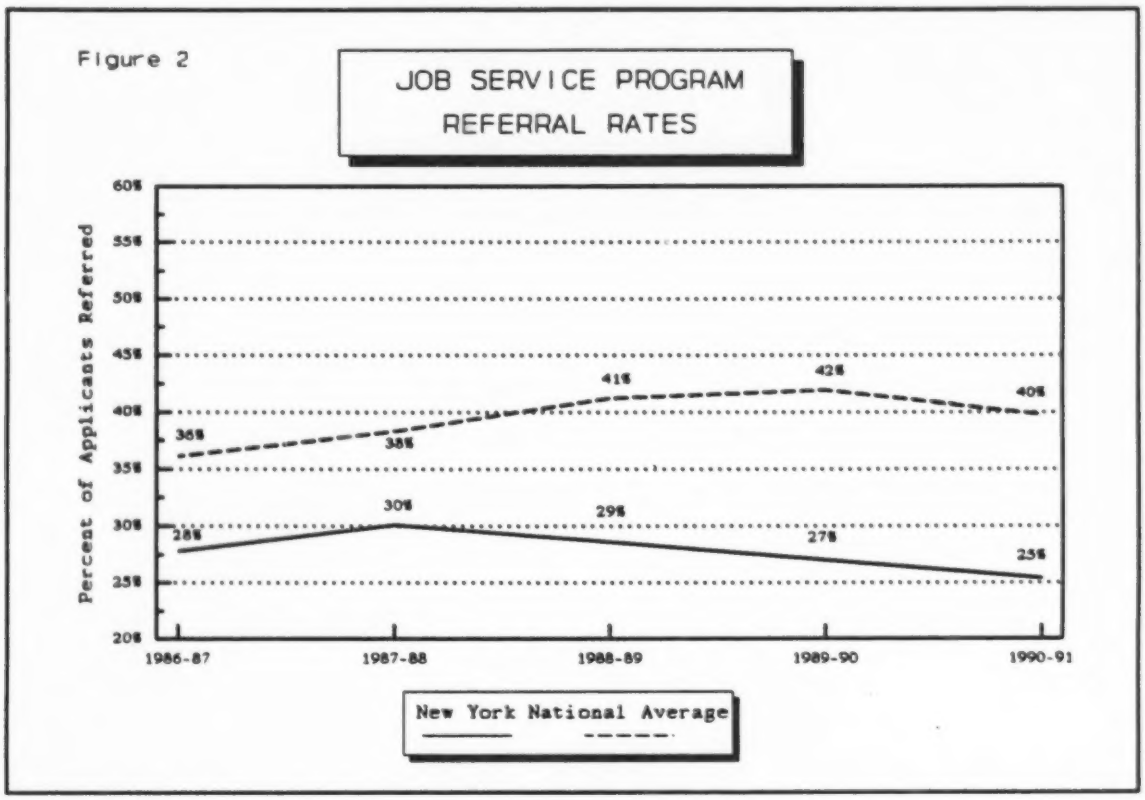



It should be noted that during this period, the Department reported that New York lost about 250,000 jobs. While it is likely that this factor impacted the number of placements, the actual extent of that impact is not clear. For example, the number of New York's jobs fluctuated during the five-year period covered by our review. The number of jobs increased in 1987-88 and 1989-90 and there were job decreases in 1988-89 and 1990-91. However, New York's placement rates did not fully track the increases and decreases in the number of jobs. Although the

number of jobs increased in 1989-90, as illustrated in Figure 1, there was a significant decline in the placement rate that year. We believe that there was opportunity for more placements than actually occurred. For example, a significant number of job openings received from employers went unfilled each year. Such unfilled job openings ranged from about 396,300 in 1986-87 to 221,700 in 1990-91.

As shown in Figure 2, during all five years of our study, New York's rate of referring applicants to job openings was well below the national average. During this period, New York was ranked between 44th and 48th in the nation in referring applicants to job openings. New York's referral rate during this period fell by 9 percent, while the national average increased by 10 percent.

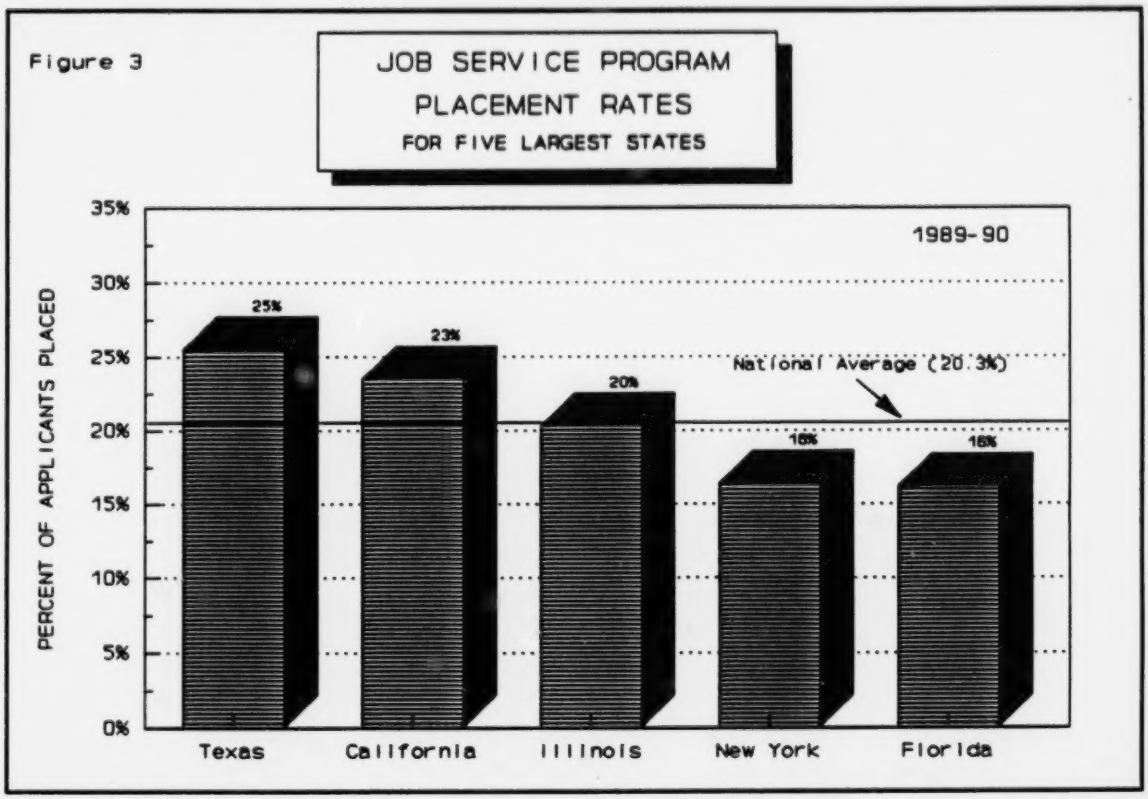
Figure 2




We also compared placement rates among the five states with the largest Wagner-Peyser expenditures in 1989-90 to determine whether New York's rate was similar to those of the other four high cost states. As Figure 3 shows, New York and Florida had the lowest percentage of placements among the five states. We

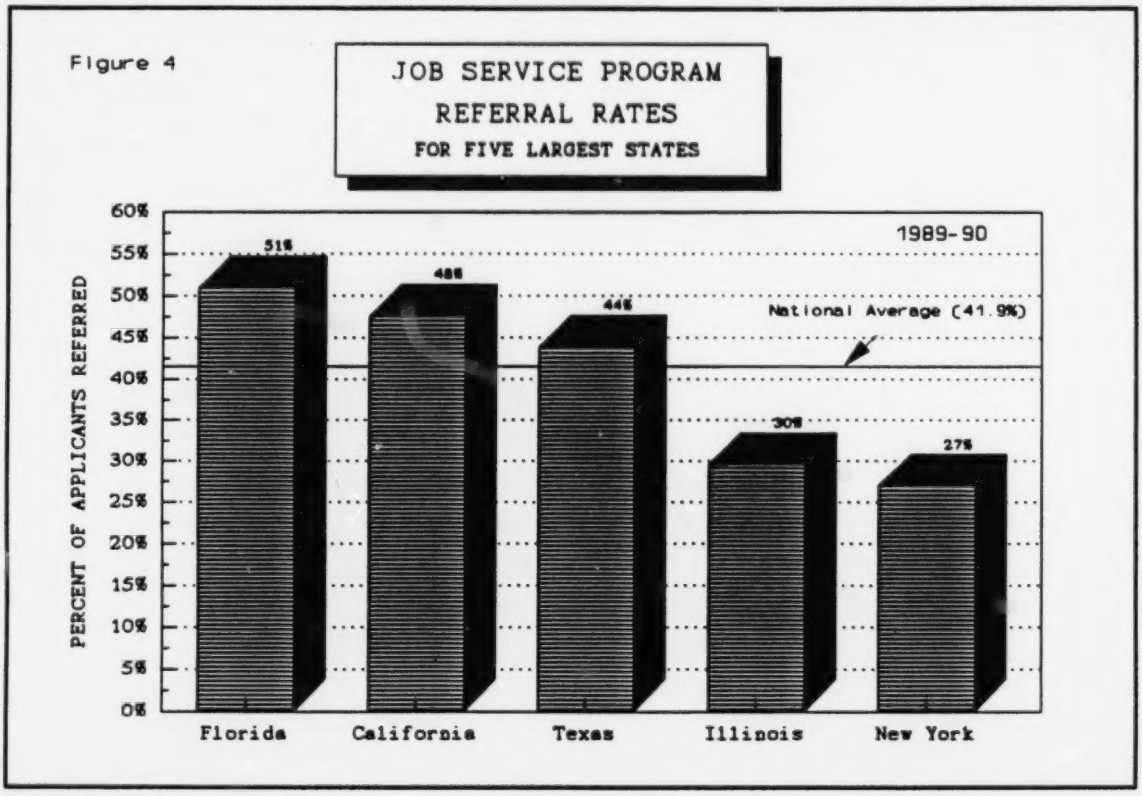
noted that California and Texas had placement rates that exceeded the national average.

Figure 3




Finally, we compared New York's referral rate in 1989-90 with the other four high cost states. As shown in Figure 4, New York had the lowest referral rate in the group.

Figure 4




We noted that two of the other states, Texas (6.7 percent) and Illinois (6.0 percent), had higher unemployment rates than New York (5.1 percent) in calendar year 1989. However, these two states reported that they referred and placed applicants at a higher rate than New York: Texas referred 44 percent of its job applicants and placed 25 percent, while Illinois referred 30 percent and placed 20 percent. Further, California had a similar unemployment rate to New York (5.1 percent) but referred 48 percent of its job applicants and placed nearly 24 percent.

## The Number of Department Placements Per Staff Declined

Department officials provided us with the number of Department employees who were funded by the Wagner-Peyser Act during the five program years from 1986-87 through 1990-91. We requested this information to determine whether the decline in New York's employment program outcomes could be attributed solely to the decline in staffing levels during the period.

As shown in Table 1, we found that the number of Department staff decreased by about 32 percent, from 1,414 in program year 1986-87 to 968 in 1990-91. However, during the same period, the

number of applicants placed decreased by about 47 percent. Staff productivity declined from 138 placements per staff member in 1986-87 to 106 placements in 1990-91. As a result, the number of applicants placed per staff decreased by about 23 percent during this entire period. The Department's data shows that placements per staff member increased between 1986-87 and 1987-88. However, there has been a trend of declining productivity since 1987-88, with particularly significant declines in 1989-90 and 1990-91.

**Table 1**

**JOB SERVICE PROGRAM**
**STAFF PRODUCTIVITY STATISTICS**

| | NUMBER OF APPLICANTS | | | | NUMBER OF APPLICANTS PER STAFF | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | TOTAL | SERVED | PLACED | NUMBER OF STAFF | TOTAL | SERVED | PLACED | % INCREASE (DECREASE) | COST PER PLACEMENT |
| 1986-87 | 928,244 | 400,615 | 194,729 | 1,414 | 656 | 283 | 138 | - | $304 |
| 1987-88 | 796,325 | 384,818 | 181,740 | 1,174 | 678 | 328 | 155 | 12.3% | 314 |
| 1988-89 | 760,858 | 349,953 | 157,700 | 1,053 | 723 | 332 | 150 | (3.2%) | 347 |
| 1989-90 | 790,939 | 335,430 | 129,391 | 1,082 | 731 | 310 | 120 | (20.0%) | 432 |
| 1990-91 | 772,202 | 324,083 | 103,022 | 968 | 798 | 335 | 106 | (12.0%) | 555 |
| % Increase (Decrease) | (16.8%) | (19.1%) | (47.1%) | (31.5%) | 21.6% | 18.3% | (23.2%) | - | 82.6% |

NOTE: Not All Applicants Are Provided With Services.

Therefore, it appears that at least part of New York's lower than average placements during the period can be attributed to decreasing staff productivity. If this productivity were improved, more applicants could be placed. For example, if the Department's 1990-91 program staff of 968 had placed applicants at the average rate experienced during the prior four years (140 applicants per staff), then about 32,500 additional applicants would have been placed during the 1990-91 program year. We believe this could have been achieved because, during 1990-91, the Department received more than 324,000 job openings and placed 103,000 applicants in related jobs. Therefore, more than 221,000 openings would have been available for the additional 32,500 applicants.

Department officials objected to our comparisons to other states. They stated that the Federal government funds employment service programs without any prescriptive guidelines and with no requirement for comparability of performance between states. They stated that New York developed its employment programs to meet the needs of New York State, and that New York's workforce is more diverse than workforces in other states. These officials also told us that New York has a higher percentage of hard-to-place individuals than the national average and that the Department targets this population in its re-employment efforts. Finally, according to Department officials, New York has lower percentages of the types of industries that make job placements easier, such as mining, construction, manufacturing, and retail industries.

While the officials provided documentation showing that New York had a lower percentage of certain industries than other states, they provided no documentation supporting their contention that it was easier to place applicants in jobs in these industries, nor did they provide documentation in support of the balance of their statements. Further, USDOL considers placements and referrals to be critical elements in evaluating the effectiveness of employment service programs. A USDOL work group studying new outcome measures also concluded that placements should continue to be a critical measure. In addition, a recent report issued by GAO stated that the states with more effective programs had higher placements. Finally, because of the high unemployment New York is currently experiencing, it may be appropriate for the Department to reconsider its policy of focusing efforts on those applicants that are the most difficult to place. It may provide more overall economic benefit if resources were allocated so that as many applicants as possible were put back to work.

## Most Recipients of Unemployment Benefits in New York Do Not Use the Job Service Program

Under the Unemployment Insurance program, benefits are paid to unemployed individuals who meet the eligibility requirements of the program. The maximum length of time the benefits may be paid varies from state to state. We compared the average length of time these benefits are paid, as well as the extent to which unemployment insurance recipients are placed by the Job Service programs of all states.

USDOL statistics for 1989-90 show that Job Service programs in California placed almost 65,000 unemployment insurance recipients, and such programs in Texas placed about 82,000 unemployment insurance recipients. However, New York placed only 7,200 unemployment insurance recipients during 1989-90.

California also reported that 41 percent of its Job Service applicants were unemployment insurance recipients and over 14 percent of these recipients found a job. Texas reported that 43 percent of its Job Service applicants were unemployment insurance recipients and about 12 percent found a job. New York reported that 22 percent of its Job Service applicants were unemployment insurance recipients and 4 percent found a job.

We also found that New York paid unemployment insurance benefits for an average of 17.3 weeks as compared to the national average of 13.6 weeks (only Massachusetts and the District of Columbia paid unemployment benefits longer on average than did New York during 1989-90). California paid these benefits for an average of 14.5 weeks and Texas paid these benefits for an average of 14.7 weeks.

If, during 1989-90, New York was able to place the unemployed at a rate that would have allowed it to achieve the national average of 13.6 weeks, the number of paid benefit weeks in that year would have been reduced by almost 2.3 million weeks. At New York's average weekly benefit, unemployment insurance benefits paid during 1989-90 would have been reduced by more than $375 million. It may be possible for New York to reduce the length of time that unemployment insurance benefits are paid by expanding the use of the Job Service program for unemployment insurance recipients. Such a reduction in the duration of unemployment insurance benefit payments could save New York employers significant sums because these employers pay for these benefits through payroll taxes.

Department officials stated that California and Texas Job Service programs target unemployment insurance recipients. In comparison, they also stated that New York targets public assistance recipients, the economically disadvantaged and other special groups. Department procedures state that, in order to qualify for unemployment insurance benefits in New York, claimants must actively search for a job. In addition, Department procedures require that, except for recipients who have definite return-to-work dates and those union members normally hired out of union halls, all unemployment insurance claimants register with the Job Service program as part of their eligibility for unemployment insurance. Yet, it appears that the Department does not enforce these procedures. For example, we found that, of the 613,500 New York individuals who received unemployment insurance benefits in 1989-90, 153,800 were not required to file with the Job Service Program. However, the Department reported that only

174,000 of the remaining 459,700 individuals used the Job Service program.

In addition, Department officials stated that differences in the average duration of unemployment insurance benefit payments in different states are largely dependent on differences in unemployment insurance laws in the states. Department officials also stated that we oversimplify matters by suggesting that the average duration of unemployment benefits can be reduced by improving the job referrals and placements of unemployment insurance claimants. However, the officials did not provide documentation to support their contentions.

## Veterans Employment Program Outcomes Are Below the National Average

The Department operates two major employment programs for veterans: the Disabled Veterans Outreach Program (DVOP) and the Local Veterans Employment Representative (LVER) program. During 1989-90, $5.4 million was spent on DVOP and $3.9 million was spent on LVER.

According to USDOL, the Department's placement rates for veterans' programs were below the national averages for 1989-90. For example, DVOP placed slightly less than 17 percent of the veterans who applied for services compared to a national average of nearly 23 percent. New York's LVER program placed almost 17 percent compared to the 25 percent nationwide. The states with the highest placement rates placed more than 40 percent of their applicants. New York's DVOP and LVER programs ranked 40th and 45th, respectively, in finding jobs for veterans.

In response to our study, Department officials stated that New York had lower placement rates because the Department concentrated its services on the most disabled veterans during 1989-90. They also stated that New York's programs target blind and visually impaired veterans and those veterans who are not fully ambulatory. However, the Department did not provide us with documentation supporting this statement. Furthermore, we were not able to obtain data documenting the extent to which other states also target disabled veterans. Without comparable data it is not possible to draw valid conclusions concerning the effectiveness of each state's program. Nevertheless, at present, Department officials are not able to determine the effectiveness of New York's program.

## Questions

1. Why do New York's employment service programs have lower referral and placement rates than employment service programs run by other states?

2. Should New York's employment service programs be changed to improve job placement rates? For example, should the Department reconsider its policy of focusing its efforts on the hardest to place?

3. Why has there been such a decrease in the number of Job Service applicants placed per Department staff?

4. Why do New York's employment service programs place fewer unemployment insurance recipients than employment service programs in other states? Should New York's programs serve more unemployment insurance recipients?

5. Why does the Department not enforce requirements that unemployment insurance recipients make use of employment service programs?

6. How effective are the Department's Veterans' Employment programs?

# Job Training Partnership Act Programs

The Job Training Partnership Act (JTPA) was enacted in October 1983 to train and provide other services to economically disadvantaged individuals and other individuals facing serious barriers to employment. Most JTPA programs are operated by service delivery areas (SDAs), which are partnerships between local governments and private industry councils (PICs). PICs include members from the public and private sector. Each PIC develops a job training plan for its SDA.

The Department initially receives Federal JTPA funds and transfers the funds to the SDAs in accordance with funding formulas included in the JTPA legislation. SDA funding varies according to the relative number of unemployed and economically disadvantaged individuals living in the geographic area covered by the SDA. The Department is responsible for approving annual SDA job training plans, providing assistance to the SDAs, monitoring program results against Federal standards, and reporting program results and costs to USDOL. If an SDA does not meet Federal standards for two consecutive years, the Department is required by the JTPA legislation to act to improve the results. This action may include requiring the SDA to change the organization that controls the program.

We reviewed data reported to USDOL in order to compare New York's JTPA programs to JTPA programs in other states. We found that, in some cases, the cost and performance of New York's JTPA programs were comparable to the cost and performance of JTPA programs in the other states; however, in other cases, the cost of New York's programs was not consistent with the cost of the programs in the other states. It is important to note that cost factors alone do not indicate program success; cost factors must be viewed in relation to other program activity. Department and USDOL officials agree with this concept.

## Youth and Adult Programs Performed at About the National Average

There are several types of JTPA programs. One type offers employment training and other services for economically disadvantaged adults and youth. In 1989-90, the Department reported SDAs spent $79.5 million on this program. As shown in Table 2, according to USDOL data, during that year New York's program operated at about the national average for cost and results.

**Table 2**

| JTPA Youth and Adult Program<br>Selected Indicators of Cost and Outcomes<br>1989-90 | | | |
|---|---|---|---|
| | New York | National Average | New York's Rank |
| **ADULT PROGRAM** | | | |
| Cost Per Participant | $1,615 | $1,662 | 27th |
| Cost Per Job Placement | $3,097 | $3,255 | 29th |
| Job Placement Rate | 65.7% | 71.4% | 44th |
| Average Weeks Participated | 17 | 19 | 33rd |
| **YOUTH PROGRAM** | | | |
| Cost Per Participant | $1,866 | $1,540 | 40th |
| Cost Per Job Placement | $4,938 | $4,925 | 35th |
| Job Placement Rate | 46.7% | 43.6% | 29th |
| Average Weeks Participated | 23 | 22 | 22nd |

**Note:** The Cost data presented above is for informational purposes only and does not imply program success or failure.

## The Basic Education Program and Program for Older Workers Were Costly

In 1989-90, the Department reported the New York State Education Department spent $9.8 million for the JTPA basic education program, while the SDAs spent $3.1 million to train older individuals. The New York State Office for the Aging also provided oversight for the programs to train older workers. As shown in Table 3, according to USDOL data, during 1989-90 New York's programs were among the most expensive in the nation. Because outcome data was not available from USDOL for these programs, we could not compare New York's outcomes with the other states.

Table 3

| JTPA Basic Education and Older Worker Programs Selected Indicators of Cost 1989-90 | | | |
|---|---|---|---|
| | New York | National Average | New York's Rank |
| **BASIC EDUCATION PROGRAM:** | | | |
| Cost Per Participant | $1,654 | $742 | 44th |
| Cost Per Termination | $2,275 | $1,230 | 40th |
| **OLDER WORKER PROGRAM:** | | | |
| Cost Per Participant | $2,454 | $1,352 | 50th |
| Cost Per Termination | $3,282 | $1,969 | 49th |

**Note:** The Cost data presented above is for informational purposes only and does not imply program success or failure.

## Question

7. Are the outcomes of New York's JTPA basic education program and program for older workers commensurate with their high costs?

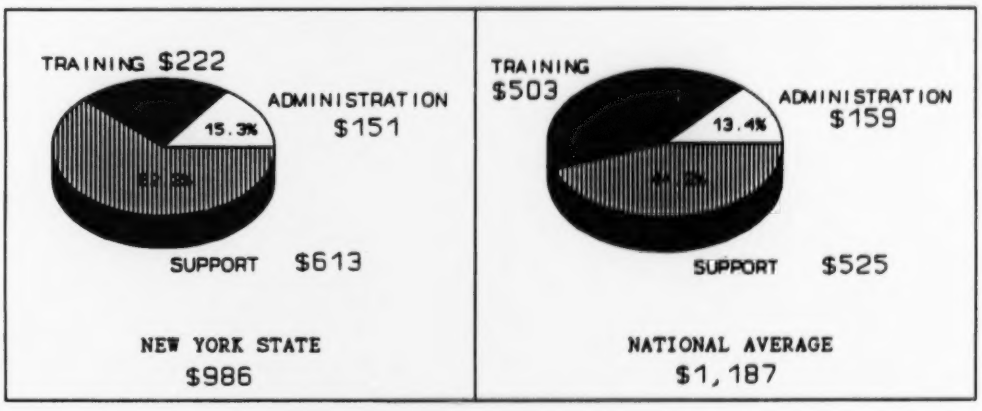
## Summer Youth Employment Program Data Is Not Reported On a Consistent Basis

The JTPA Summer Youth Employment program offers employment training, work experience and some educational enhancements such as remediation in reading and math for disadvantaged youth aged 14 to 21. Performance standards have not been established for this program, but both Department and USDOL officials expect most program funding to be paid directly to program participants in the form of either wages or support payments to help cover their necessary expenses while participating in the program. For example, participants can use support payments for transportation, meals and day care services. During 1989-90, USDOL data shows that New York spent $42.2 million on the program, including $26.2 million on support payments, $6.5 million on program administration and $9.5 million for employment training.

We reviewed USDOL data for 1989-90 to determine how New York's use of these program funds compared with the other states. We found that New York spent an average of $986 per program youth, which was the fourth lowest average in the nation. According to USDOL, the national average was $1,187 per youth. Figure 5 shows the spending pattern for New York compared with the national average.

Figure 5

SUMMER YOUTH EMPLOYMENT PROGRAM




SUMMER 1990

According to USDOL data New York spends about half the national average per participant on training. However, we subsequently determined that the states may not be reporting costs consistently. USDOL does not define training and support payments under this program; instead, it allows the states to define these terms. Furthermore, it appears that these terms have not been clearly defined in New York, since the amounts reported by the SDAs varied considerably. Table 4 shows the cost variations reported by some of New York's SDAs.

**Table 4**

JTPA Summer Youth Employment Program
Selected Variation in Costs
Reported by the SDAs
1989-90

| | ADMINISTRATIVE | | SUPPORT | | TRAINING | |
|---|---|---|---|---|---|---|
| SDA | COSTS | PERCENT | COSTS | PERCENT | COSTS | PERCENT |
| Ulster | $18,700 | 9.3% | $182,900 | 90.7% | $0 | 0.0% |
| Columbia/Greene | 17,300 | 10.5% | 141,900 | 86.2% | 5,400 | 3.3% |
| Niagara | 60,100 | 7.3% | 704,100 | 85.6% | 58,500 | 7.1% |
| New York City | 3,987,000 | 17.4% | 15,549,000 | 67.9% | 3,354,000 | 14.7% |
| Oyster Bay | 79,800 | 14.7% | 7,400 | 1.4% | 452,600 | 83.9% |
| Yonkers | 10,900 | 4.2% | 0 | 0.0% | 248,600 | 95.8% |

We asked Department managers to explain the cost variations reported for this program. The managers told us that the variations result from a lack of standard reporting. They said that some SDAs report wages paid to the youth as training, while other SDAs report such wages as support payments. Therefore, Department officials are not sure of the amounts actually spent on training. However, they believe that the SDAs reporting high percentages of training costs have not reported accurately. As a result, the cost data reported by the Department to USDOL may be inaccurate, and New York may have spent even less per youth on training than reported. Department managers must take the necessary actions to ensure consistent reporting of SDA program statistics.

## Dislocated Worker Program Job Placement Rates Are Not Commensurate With Retraining Rates

The JTPA Dislocated Worker program retrains and counsels workers facing long-term unemployment due to plant closings or other large scale layoffs. Retraining encompasses all steps necessary to provide dislocated workers with new skills needed for a different occupation. Funding for this program is based on the relative number of unemployed and dislocated workers in each state. The program has three components: (1) substate area grantees receive two-thirds of the funds allocated to states; (2) the remaining third of the funds is reserved for use at the discretion of the Governor (in New York these programs are chosen by the Department); and (3) Federal grants are awarded directly to grantees from a national reserve. During 1989-90, the Department reported that substate grantees spent $9.2 million, the Governor's discretionary programs spent $2.6 million, and national

reserve programs spent $1 million on services to dislocated workers.

Table 5 shows selected cost and outcome data reported to USDOL for 1989-90.

**Table 5**

**JTPA Dislocated Worker Programs**
**Selected Indicators of Cost and Outcomes**
**1989-90**

| | New York | National Average | New York's Rank |
|---|---|---|---|
| **SUBSTATE GRANTEES** | | | |
| Cost Per Participant | $1,640 | $1,183 | 41st |
| Cost Per Job Placement | $5,154 | $2,854 | 48th |
| Job Placement Rate | 66.0% | 68.7% | 36th |
| Retraining Rate | 70.9% | 60.5% | 21st |
| Average Weeks Participated | 13 | 17 | 41st |
| **GOVERNOR'S PROGRAMS** | | | |
| Cost Per Participant | $2,214 | $1,665 | (Note 1) |
| Cost Per Job Placement | $51,059 | $4,224 | (Note 1) (Note 2) |
| Job Placement Rate | 47.2% | 69.4% | (Note 1) |
| Retraining Rate | 74.1% | 51.2% | (Note 1) |
| Average Weeks Participated | 7 | 14 | (Note 1) |
| **NATIONAL RESERVE PROGRAMS** | | | |
| Cost Per Participant | $1,387 | $1,109 | (Note 1) |
| Cost Per Job Placement | $4,248 | $3,785 | (Note 1) |
| Job Placement Rate | 69.4% | 42.9% | (Note 1) (Note 3) |

Note 1 - Some states did not report data for these programs.
Note 2 - According to Department officials, New York's programs are not placement oriented.
Note 3 - Participation time and retraining rates are not available for these programs.

As shown in Table 5, New York's Dislocated Worker programs cost more per participant than the national average. Table 5 also shows that New York provided retraining to a higher percentage of dislocated workers than most states. In the Substate Grantees

program, on average, the states retrained more than 60 percent of the dislocated workers and placed almost 69 percent of the dislocated workers in new jobs. In other words, the nation as a whole placed at least as many dislocated workers in new jobs as were retrained. However, New York State retrained more dislocated workers than it placed in new jobs. Even after New York spent more to retrain dislocated workers, not everyone got a job. Nearly five percent of the dislocated workers associated with the substate grantee program that New York retrained, were unable to secure a job.

Department officials told us that the Governor's programs are not placement oriented. They stated that, in addition to providing retraining to dislocated workers, funds are used to deploy rapid response teams and to develop special strategies for the needs of dislocated workers. However, this assertion apparently does not consider that a high percentage of the dislocated workers in these programs received retraining.

## Questions

8. Considering that New York retrains a higher percentage of dislocated workers, should New York's placement rates be higher?

9. In view of New York's high unemployment, should the Governor's programs be re-focused towards job placements?

# New York's Costs of Administering the Unemployment Insurance Program Appear Reasonable When Compared to Such Costs Reported by Other States

In 1989-90, New York paid $1.8 billion in unemployment insurance claims, which ranked second to California's $2 billion. As shown in Table 6, data reported to USDOL showed that New York's costs to administer the Unemployment Insurance program were below the national average per week of benefits paid. However, because of New York's longer average duration of benefit payments as previously discussed in this report, total administrative costs per claimant exceeded the national average.

**Table 6**

**Unemployment Insurance Program**
**Selected Indicators of Cost**
**1989-90**

| | New York | National Average | New York's Rank |
|---|---|---|---|
| Administrative Cost Per Week of Benefits Paid | $12.98 | $15.34 | 6th |
| Total Administrative Cost Per Claimant | $225 | $208 | 27th |

It is important to note that the actual national average costs may be higher than those reported to USDOL. In 1989, GAO reported that as many as 33 states supplement their Unemployment Insurance programs with state funds. However, New York does not spend state funds on its Unemployment Insurance program. Therefore, we concluded that New York's costs appear reasonable when compared to such costs for other states. Department officials told us that they have been able to hold down costs through increased automation and innovative approaches such as mail-in unemployment insurance claims.

# Major Contributors to This Report

Douglas Hunter, Audit Manager
Richard Sturm, Audit Supervisor
Donald Hespelt, Auditor-in-Charge
Richard Thomas, Lead Auditor
Michael Filippone, Staff Auditor
Robert Elliot, Staff Auditor
Michael Ouimet, Staff Auditor

# Comments of Department of Labor Officials

Department officials disagree with the primary conclusions presented in our study. They believe that it is not appropriate to compare New York's program outcomes with the national average and/or other states because of diversity in several factors, such as, operations, program emphasis, program structure and economic environment.

Our study focused on job placements and referrals, which according to USDOL are two key indicators of performance. We found that New York's performance in these areas has been on the decline. By program year 1990-91, New York ranked 37th in the nation in placements and 48th in job referrals. We believe that this decline indicates that new York's programs need improvement.

The full text of the Department's response to our draft study report is included on the following pages. Our detailed notes of clarification are referenced in the margin of the response and are included in Appendix C.

STATE OF NEW YORK
DEPARTMENT OF LABOR
Governor W. Averell Harriman
State Office Building Campus
Albany, New York 12240

JOHN F. HUDACS
Commissioner of Labor

February 8, 1993

Mr. Roland M. Malan
Assistant Deputy Comptroller
Management Audit & Financial Reporting
Office of the State Comptroller
Alfred E. Smith Building
Albany, New York 12236

Dear Mr. Malan:

Attached are comments and responses to the questions raised in your draft study, 93-D-21, pertaining to a comparison of the Department of Labor's programs to other states. These comments are submitted for inclusion as Appendix B of your final report.

• Note 1

First and foremost, let me state that the Department of Labor strongly objects to, and disagrees with, the primary conclusions presented in your study. During the course of the study, your staff was informed that the underlying premise of the analysis - comparing New York's costs and outcomes with national averages and/or other states - was not an appropriate or effective measurement for evaluating the success or failure of a program. Diversities in program emphasis and structure, differing state laws and methods of operations between states, varying economic environments and funding streams,and differences and omissions in other states' reporting methods make such comparisons difficult, if not impossible, without a full audit or minimally, a survey of each state which addresses the possible major differences which would effect outcomes and costs.

Our position on this matter is supported by the findings of the United States Department of Labor, which has in its USES Information Bulletin No. 92-03 explicitly stated that "because State environments vary and multiple sources of



• See State Comptroller's Notes, Appendix C

funding are used to support job service activities in many States, caution is offered about drawing interstate comparisons regarding performance, particularly with respect to such measures as 'cost per placement.'"

• Note 2

As your study ignored this basic truism, the resultant report contains meaningless comparisons and statistics and flawed conclusions.

We are proud that our Department, and particularly our Community Service Centers which oversee job placements, have been recognized as a national model for progressive government. Since we began the conversion to Community Service Centers (CSC), we have received visitors and inquiries from many other states interested in emulating our program. We have also provided reviews of our centers to visiting dignitaries from nine foreign countries, including Russia and Japan. Last year, the CSC approach was cited in the nationally acclaimed text "Reinventing Government," by David Osborne and Ted Gaebler which "focuses on how government should work." And the United States General Accounting Office has chosen the New York State Department of Labor as one of three state labor departments to study regarding the modernization of services and the effectiveness of bringing services together under one roof.

• Note 3

• Note 4

In short, we welcome the comparison of our programs to other states, <u>if</u> the method of comparison is valid and reliable.

We would be happy to meet with you and your staff to discuss our response, or to provide your auditors with any other relevant information.

If you have any questions, please contact Ms. Lynn Dobriko, Director of Internal Audit, at 457-9016.

Sincerely,

John F. Hudacs

Attachments

• See State Comptroller's Notes, Appendix C

NEW YORK STATE DEPARTMENT OF LABOR
RESPONSE TO STUDY 93-D-21
COMPARING NEW YORK'S PROGRAMS TO OTHER STATES

Overview

To be an effective management tool to improve operations, an objective analysis which compares similar programs from one State to another must address the variables and differences in the way those programs are implemented, administered and funded.

This study's objective is identified as ..."to compare the levels of performance achieved by each of these programs to the levels of performance achieved by similar programs operated by the other 49 states ... ." By their design, the Wagner Peyser (Job Service), Unemployment Insurance and Job Training Partnership Act (JTPA) Programs are designed with a flexibility to allow each individual state the opportunity to tailor the emphasis of program activities to its needs. This reason, coupled with varying economic environments, differing state laws, and differences and possible omissions in other states reporting methods, makes a meaningful comparison of program productivity a very complex undertaking. An objective analysis would have to have included a full audit or minimally, a survey of each state which addressed the possible major differences which would effect outcomes and costs. This study did not include those vital steps as part of its analysis. Consequently, we do not believe that this study was carried out to a significant depth to make a meaningful comparison of program productivity.

* Note 8

The United States Department of Labor's (USDOL) USES Information Bulletin No. 92-03 - Summary of Selected Employment Service Performance Data for Program Year 1990, also highlights this concern in their December 18, 1991 release as follows:

> "Caution is offered about drawing inter-state comparisons regarding performance, particularly with respect to such measures as 'cost per placement.' Because state environments vary, and multiple sources of funding are used to support ES activities in many states, the figures reported by states are not always comparable".

* Note 2

To resolve this issue, we suggest that you contact the specific USDOL officials identified below and ask the question, "is the outcome data provided in any of your department's Job Service reports intended for and appropriate for state to state comparative analysis."

This inquiry should be directed to the USDOL Secretary of Labor and the Director of the United States Employment Service and not, as apparently was done during your study, to officials of other states and technical level staff at USDOL.

The study puts much emphasis on placements. It is important to note that a number of New York's placements are not included in the figures reported to the USDOL, as our system encourages self referrals

* Note 9



* See State Comptroller's Notes, Appendix C

by our customers. Customers can access our Job Order system through nearly 90 interactive JOBS PLUS machines or through the hundreds of workstation terminals located throughout New York State at DOL offices, schools, cooperating agencies and high traffic areas such as shopping malls. When this occurs, the traditional placement and referral counts are invalid by definition and therefore excluded from our productivity figures. We are currently studying this situation with the intent of developing a means of estimating the number of placements and referrals that are occurring outside of those included in the statistics.

We suggest that you obtain clarification from the same policy level individuals mentioned above, regarding your statement that "a USDOL workgroup studying new outcome measures also concluded that placements should continue to be a critical measure." You will be advised that placements are referenced not as an end all, but rather as one of many critical outcomes.

• Note 5

Further analysis will reveal that the purpose behind the USDOL workgroup is to find more appropriate ways (than just placements) to capture the new, more relevant services being implemented by progressive states such as New York. You will also learn that the maintenance of the traditional placement counts was a compromise to appease the more traditional elements in the workgroup who are still engaged in the manipulation of massive placement outcomes gleaned from serving as the hiring agent for various processing and service industries.

• Note 6

This Department engaged in similar activities for many years. Then, through progressive thinking and new initiatives, we moved forward. Rather than playing a superficial numbers game, we concentrated our ever-shrinking resources on more hard-to-serve individuals and improved methods of customer service. As you know, during the period covered by your review, we began a Department-wide reorganization called the Community Service Center initiative. During the period covered by your study, the Unemployment Insurance (UI) and Job Service Operations were combined into the Community Services Division, unifying the delivery of the Unemployment Insurance and Job Service Programs.

This initiative involves cross training of former Job Service and Unemployment Insurance staff to permit each individual to perform all key UI and Job Service functions, and to also serve as a comprehensive resource for other DOL employment and training information. A new job title, Labor Services Representative, was created and a massive, long-term training program was initiated. Indeed, review of our latest reports already show a significant increase in placement of UI recipients and we expect this trend to continue.

The study calls attention to our policy of focusing our efforts on those Job Service and JTPA applicants that are the most difficult to place. This group includes public assistance recipients, the economically disadvantaged and individuals with multiple barriers to employment, and individuals with no previous work experience or job



• See State Comptroller's Notes, Appendix C

skills. It should also be noted that New York State has one of the largest immigrant populations in the country. Preparing the hardest to serve for employment often requires a series of services and training experiences that takes a much longer time to complete than for more job ready individuals.

Working with these individuals is time consuming, more costly, and results in lower placements. While we are modifying our job service programs to place a greater emphasis on more job ready individuals, in order to meet the needs of New York State with its higher than average percentage of hard-to-place individuals, we will continue to devote significant resources to the needs of that population.

The study compares New York to California, Texas, Florida and Illinois, as these are the "states with the largest Wagner Peyser expenditures in 1989-90". It later defines them as "high cost states". Although these are the five highest funded states in terms of Wagner-Peyser expenditure allotments, the portrayal of all of these states as "high cost" is not accurate. For example, Florida, responding to an Interstate Conference of Employment Security Agencies, Inc.(ICESA) survey of Program Year 1990 funding, indicated it was able to support 958 positions with $29.4 million in grant funds, or less than $31,000 per position. It is obvious that their staff salary and nonpersonal service requirements are extremely low in comparison to the other four States and would thus skew the comparison of data between States.

• Note 7

Contrary to the impression one would receive from reading the study, DOL is a leader in providing service to the unemployed. We are proud that our Department, and particularly our Community Service Centers (CSCs) which oversee job placements, have been recognized as a national model for progressive government. Since we began the conversion to Community Service Centers, we have received visitors and inquiries from many other states interested in emulating our program. We have also provided tours of our centers to visiting dignitaries from nine foreign countries, including Russia and Japan. Last year, the CSC approach was cited in the nationally acclaimed text "Reinventing Government," by David Osborne and Ted Gaebler which "focuses on how government should work." And, the United States General Accounting Office has chosen the New York State Department of Labor as one of three state labor departments to study regarding the modernization of services and the effectiveness of bringing services together under one roof.

• Note 3

In short, we welcome the comparison of our programs to other States, <u>if</u> the method of comparison is valid and reliable.

The remainder of this response addresses each of the questions in your study in greater detail. As you will see, in the two and a half years since your review period ended, we have made significant strides in implementing our initiatives and have positioned this Department as an effective agent to match labor force with labor market.





• See State Comptroller's Notes, Appendix C

## EMPLOYMENT SERVICE PROGRAMS

QUESTION

1. Why do New York's employment service programs have lower referral and placement rates than employment service programs run by other states?

RESPONSE

During the audit period, the NYS Job Service Program was in the process of converting to a Community Service Center design. This de-emphasized the one-on-one referral and placement process, for which there is no longer adequate funding, to a modernized highly computerized, information sharing, self-service referral and placement system, with one-to-one service reserved only for those customers who are not able to help themselves. This strategy focused greater attention on providing labor market education and teaching self-job search techniques, thereby providing greater and more effective services to individual customers through self-search approaches. This system has been unanimously accepted by the private business sector, employment and training institutions, and educational facilities, and has achieved national recognition as the most cost effective and appropriate method of service to utilize limited resources to serve the greatest segment of the labor market.

The use of our Jobs Plus terminal system and unrestricted (unsuppressed) employer information on job orders allows our customers to locate job openings and contact potential employers directly without requiring DOL staff intervention. When this occurs, the traditional placement and referral counts are invalid by definition and, therefore, excluded from our productivity figures. While this strategy makes the capturing of placement and individuals served data very imprecise, given existing reporting mechanisms, the enthusiastic response from job seeking customers, employers and participating agencies confirms that the system is working. Acceptable methods for the empirical capturing of this data are now being explored by this Department and by the USDOL work group. Employer response is not just anecdotal, as evidenced by the substantial and ever increasing number of job orders being placed in our system.

• Note 6

• Note 10

During the last two program years, we have been giving significant emphasis to increasing the number and diversity of job orders from employers that are available on our automated system. (In many instances, a job order contains multiple job openings.) Despite the effects of the recession, we have significantly increased job openings received. For the Program Year ending June 30, 1992, 353,496 job openings were received as compared with 324,720 for the previous program year (9% increase). For the first six months of the current program year (7/1/92-12/31/92), 199,163 openings were received, a 32% increase over the same period last year. During the same six-month period, 62,653 job orders were received, as compared with 40,428 last year (55% increase).



• See State Comptroller's Notes, Appendix C

Your audit process did not recognize the varying statistical controls that many states place on the measurements which they produce. The report, showing the percentage of job applicants referred to jobs, is not uniformly based in all states, as it was in New York, on the total number of individuals who receive other than placement services. Similarly, some states, unlike New York, did not restrict UI "placements" to only those currently receiving UI benefits, but rather to those who have received benefits within varying time ranges.

• Note 11

California and Texas have targeted UI customers for employment services almost exclusively over the past several years. In New York State during the 80's, the target group population had been public assistance recipients, the economically disadvantaged and other special target groups - people with needs we can't ignore. This has resulted in more labor intensive effort per customer and lower than average countable placements. However, to the extent that we are successful in facilitating self-search by those job seekers who are capable of utilizing a self-search system, our available remaining resources can be focused on those job seekers most in need of special assistance. Using this approach, we feel we are better dealing with both types of customer.

• Note 12

In addition, the population of New York State differs markedly from that of the rest of the United States. The civilian non-instituti population aged 16+ is the population the Bureau of Labor Statistics considers able to join the labor force. In New York State, this group, the working age population, is far more diverse, including many recent non-English speaking immigrants who are in need of a wide range of services to enter the labor force.

QUESTION

2. Should New York's employment service programs be changed to improve job placement rates? For example, should the Department reconsider its policy of focusing its efforts on the hardest to place?

RESPONSE

• Note 13

The suggestion that we turn our backs on those most in need is not a viable alternative for this Department. We believe we have implemented new approaches to service delivery which will allow us to serve all categories of customers.

The question focuses on the deliberate strategy of locating the staff resources of the New York State (NYS) employment service programs in inner city areas where they are accessible to those most in need and consequently, on those who are most difficult to place.

Over many years, this long-standing policy has indeed placed the New York State employment service program in unfavorable comparisons with other states which have very different strategies. However, since such choices are clearly within the prerogative provided to each state, the USDOL has always approved the annual plans submitted by the NYS



• See State Comptroller's Notes, Appendix C

employment service programs and the USDOL has always given the NYS employment service satisfactory ratings in terms of meeting performance objectives.

Much more importantly, this strategic placement of our staffing resources has frequently resulted, in times of community crisis, in the NYS employment services programs being the most visable and accessible arm of State government. In support of our commitment to those most in need, we have maintained the largest cadre of accredited employment counselors (a low placement productivity function), in terms of both percentage and numbers, in the nation.

Nevertheless, in our constant efforts in evaluating how to better serve our employer community, we have concluded that our effectiveness in serving those who are hardest to place could be improved by meeting a broader range of employer work force needs, without diminishing the concentration of our staffing resources from inner city community areas.

Our efforts in this restructuring began essentially at the start of the same period covered by the study, and consequently have not yet produced some of the data which a study of this nature requires.

Essentially, the restructuring followed two distinct but inter-related tracks; the first being the accelerated utilization of state-of-the-art electronic data processing (EDP) capabilities and secondly, the retraining of the Department's employment service program staff.

Breakthroughs in EDP technology have finally made it cost effective to share our job order and labor market information with a virtually unlimited audience without the need to establish offices everywhere, utilize less efficient technologies such as microfiche or run cost prohibitive dedicated EDP lines. Utilizing this new technology in a self-search delivery mode, we have placed access to information, previously available primarily through physically visiting one of our local offices, in state, county and local agencies, community-based organizations, four year and community colleges, shopping malls and libraries. This system is not only constantly expanding within New York State, but is also available nationally and soon, through cooperation with the Armed Services and the Department of Defense, internationally. We believe that by continuing to make our systems more accessible to educational and other agencies, we can truly have a beneficial impact on the labor market far beyond those systems that continue to pursue narrow placement-oriented goals.

Both job seekers and employers have reacted with great enthusiasm. However the dissemination and utilization of these new delivery systems have raced ahead without comparable speed in the development of new techniques to measure their exact impact. Previously, an individual would come to a Job Service Office, be screened against an employer's job order, referred to the employer and the Job Service would follow up with the employer to determine if a placement had been made. All of these steps were controlled, recorded and reported on by the Job

• Note 10



• See State Comptroller's Notes, Appendix C



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Service staff, resulting in the types of reports reviewed in your study. The figures reflected in those reports, however, are not reflective of the new direction that we are taking and are being encouraged to take by the USDOL. They do not recognize that an increasing number of job orders are being entered into the system directly by the employer, based on instructions from Job Service staff. Job seekers trained in self-search techniques with or without direct Job Service assistance, screen themselves against the employers' orders, and placements are being made, but without a system to count the placements for reporting purposes.

The New York State Department of Labor has been working closely with USDOL through the Interstate Conference of Employment Security Agencies (ICESA) to develop new and relevant mechanisms to measure such activity. As we continue to work on methods to capture this data, we intend to utilize, as one measure, the standard survey techniques being recommended to USDOL by ICESA.

The second track mentioned earlier involves the cross training of former Job Service and Unemployment Insurance staff to permit each individual to perform all of the key UI and Job Service functions. A new job title, Labor Service Representative (LSR) was created at the same time period covered by the study and a massive, long term training program was initiated. Whenever a customer is served by one of our LSRs, that customer is receiving the benefit of a staff person that is providing service for both the Unemployment Insurance and Job Service programs, regardless of whether or not the individual is statistically counted. It was, and is, our plan to complete the major portion of this training within a five-year period and we are already experiencing increased productivity.

QUESTION

3. Why has there been such a decrease in the number of Job Service applicants placed per Department staff?

* Note 9

RESPONSE

As indicated previously, we have not yet devised empirical methods for accurately tracking the number of individuals benefiting from and utilizing our enhanced recruitment/self referral system. This enhanced system has strengthened and redefined the labor exchange services we provide to both employers and job seekers. Employers now have access to a powerful computer network outreach system, which will announce job openings to a wide pool of potential applicants. Job seekers can access these job openings through the use of the self search Jobs Plus computer terminals located throughout the State and can refer themselves to the jobs according to the employer's instructions.

Department staff provide labor market information and/or train many of these job seekers in self-job search techniques. While many of these customers have found suitable employment through the self search process, many of these job seekers are not reflected in the placement numbers. Had we been able to factor these placements into the calculations, the outcomes would have appeared more favorable.





* See State Comptroller's Notes, Appendix C

Productivity has also been impacted by the recession and our cross-training effort. Since July 1988, we have cross-trained nearly 1,100 Labor Services Representatives and nearly 300 Agency Services Representatives (intake workers) in their expanded responsibilities in serving the needs of both job seeking and unemployment insurance benefit customers. We recognized that this massive staff development effort would have a short-term adverse effect on productivity, but would enable us to better serve our customers in the future. Despite the recession, individuals placed per staff year worked, increased to 113.4 during the six-month period ending December 31, 1992.

QUESTION

4. Why do New York's employment service programs place fewer unemployment insurance recipients than employment service programs in other states? Should New York's programs serve more unemployment insurance recipients?

RESPONSE

We have taken a number of steps to address this issue, including placing a greater emphasis on registering UI benefit customers for labor exchange services and increasing the services provided to them. This has been accomplished, in part, through the cross-training initiative, which combined Job Service and Unemployment Insurance job titles into one title - one job. Each benefit customer now is served by a Labor Service Representative who can provide information on key aspects of the Job Service Program.

In addition, we have implemented the Periodic Eligibility and Employability Review (PEER) Program which selects benefit customers for an in-depth review, assesses the claimant's continuing eligibility for benefits, evaluates the claimant's job search efforts, and provides employability assessment and placement services.

These efforts have resulted in an increase in the number of UI benefit customers placed. During Program Year 1991, UI benefit customers were placed at a rate 31% higher than the previous year. During the six-month period ending December 31, 1992, that rate of increase was 70% higher than the same period last year.

QUESTION

5. Why does the Department not enforce requirements that unemployment insurance recipients make use of employment service programs?

RESPONSE

In your report, you indicate that Department procedures require that, except for recipients who have definite return to work dates and those union members normally hired out of union halls, all unemployment insurance benefit customers register with the Job Employment Service program as part of their eligibility for unemployment insurance.

It should be noted that in an effort to maximize staff resources and provide better services to our customers, Department procedures provide the Community Service Center Manager with discretion as to unemployment insurance benefit customers who may be deferred from being registered for labor exchange services. In addition to the deferred union members mentioned above and those benefit customers with a definite return to work date, customers may be deferred from registration for the following reasons:

• Note 14

- o Persons do not qualify for openings held or reasonably obtainable by the Community Service Center.
- o Persons are in occupations for which labor supply far exceeds any reasonable anticipated demands, even though the applicant may be qualified.

These criteria for deferring benefit customers are exercised intelligently and as workload warrants.

Evolving economic forces, however, have caused us to focus our efforts on the benefit claimant. The recession that New York State has been, and is currently experiencing, has produced structural, long-term change in the job market and has created a new "hard to serve" population. This population has grown out of the extensive corporate restructuring or downsizing that has resulted in record-breaking permanent job cuts. Workers who have lost their jobs through downsizing efforts have no expectation of being called back to their old job when the economy improves. The need to service this new "hard to serve" benefit claimant, coupled with the decrease in new claims for unemployment benefits and the completion of our cross-training initiative, has resulted in our placing greater emphasis on providing labor exchange services to benefit customers. Community Service Center Managers have been instructed to increase the number of benefit customers registered and to intensify services provided to them. These services include job referral, job search workshops and occupational counseling.

QUESTION

6. How effective are the Department's Veterans' Employment programs?

RESPONSE

The Department's Veterans' programs consistently receive satisfactory ratings from federal reviewers. These programs are subject to micro-management by the USDOL Veterans staff, who maintain both central office and regional office on-site presence. All program plans and activities must be approved in advance and are subject to daily review and quarterly and annual reporting. Every activity is reviewed against national performance indicators and failure to meet any indicator requires comment and corrective action. Subject to this intense scrutiny, the DOL programs, which frequently target the most severely disadvantaged veterans, such as disabled or visually impaired veterans, not only perform satisfactorily, but are also recognized as models for the entire nation.



• See State Comptroller's Notes, Appendix C

## JOB TRAINING PARTNERSHIP ACT PROGRAMS

**QUESTION**

7. Are the outcomes of New York's JTPA basic education program and program for older workers' commensurate with their high costs?

**RESPONSE**

The JTPA performance goals established by USDOL encourage states to target those clients who are hardest to serve. This results in higher costs per participant and costs per placement. A State that is higher than the average in cost per participant and cost per placement may very well be the top rated JTPA program under Federal Performance Standards.

New York State has always met the Federal Performance Standards. Cost comparisons to other state's programs are contrary to the intent of JTPA performance evaluation.

a.) JTPA Basic Education Program:

The 8% funding in New York State is directed toward the most disadvantaged hard-to-serve youth and adults with barriers to employment, who need intensive remedial and support services. Particular emphasis is placed on services for persons on public assistance and on efforts to return dropouts to school or transition them to employment or further training. Given the State's rate of unemployment, the State focus of 8% funds on providing services to the "harder-to-serve" -- addressing the educational and employment readiness skills of economically and educationally disadvantaged adults and at-risk youth, many with disabilities -- and the unique service needs presented by New York City, costs per participant/ termination would indeed be higher than the national average. We do not believe that $1,654 per participant for intensive services is excessive. This investment will have a positive effect on these individuals by reducing the likelihood of future costs of welfare dependency, unemployment, incarceration, etc. The study does not take into account other state's targeted groups in its presentation of findings.

During the period July 1, 1989 - June 30, 1990, some 2,400 adults and 3,500 youth participated in educational activities supported through the 8% set aside. Seventy percent of the adults and 37% of the youth participating in these programs were school dropouts. Recipients of/or members of families receiving welfare payments and long term AFDC recipients made up 80% of the adults and 32% of the youth participants. About 49% of the youth participants receiving education services were women, reflecting a concentration of resources on young welfare mothers. These figures speak to the difficulty of appropriately serving the target population that New York State has chosen.

b.) Older Worker Program:

It has been DOL's experience that the older workers have not availed themselves to the Department's programs in numbers commensurate with their eligibility. This is as a result of the disincentives for older workers to enter JTPA training and the lack of interest of many economically disadvantaged older workers to enter a JTPA training program. Contributing to the disincentive is the fact that some individuals collecting social security benefits may have their social security benefits reduced if they earn above specific levels. Also, many older individuals receive social security benefits that place the family income above program eligibility levels.

The Department and the State Office for the Aging have been developing incentives for Service Delivery Areas (SDA) to more agressively seek out and enroll older workers. Policy has been established where unspent JTPA older worker funds will be deobligated from an SDA that cannot or does not locate enough older workers and then transferred to SDAs that can more effectively use and perform with additional resources.

The Department of Labor and the State Office for the Aging have also taken action to set aside more JTPA 3% Older Worker money to fund small discretionary grants for special older worker projects, that may test new solutions to the problems SDAs are currently experiencing in recruiting and retaining older workers. The Department of Labor and State Office for the Aging have already been able to raise the disregard of social security benefits from an older worker's income when determining JTPA eligibility from 25% of social security income to 50% of income. As is practiced in 25 other States, although not noted in the study, we are discussing the possibility of disregarding 100% of this social security income to increase the number of older workers eligible for JTPA services and decrease costs per participant. Core services still need to be provided to participants, and fewer participants raise costs. We are well aware of this and are taking necessary actions to positively effect this. The Department of Labor and the State Office of the Aging will continue to provide information, training, and technical assistance to help SDAs locate and recruit more JTPA eligible older workers.

In response to the specific question, "Are the outcomes of New York's JTPA basic education program and program for older workers commensurate with their high costs?", we respond in the affirmative. This is especially true in light of societal costs that would be incurred without intervention. Despite this, we are continually striving to improve these programs and are taking corrective actions regularly.

SUMMER YOUTH EMPLOYMENT PROGRAM DATA

As stated in the OSC study, USDOL expects that most of the program funds are paid directly to participants in the form of wages and support payments. Because USDOL does not define training and support payments, but rather leaves it to States to define, it is inappropriate to make comparisons between States.

In SDA Bulletin #14-84, the NYSDOL has provided direction to SDAs on the proper reporting of fiscal data. However, the wide variations in training and participant support expenditures reported by Service Delivery Areas for their Title IIB programs may indeed be caused by Service Delivery Areas interpreting this Department policy differently. Differences in how Service Delivery Areas structure their IIB programs would also create such disparities. For example, an SDA which chose not to provide combined work experience - classroom training that met the requirements of Section 108(b) (2) (B) (3) would be required to report all participant wages under "Participant Support," while another SDA which did choose to provide combined work experience - classroom training could charge up to 50% of participant wages to the training cost category.

The Comptroller's Office may wish to see SDAs charge similar percentages to the Title IIB training cost category so that it can use the evaluation methodologies it has chosen to use; however, there is no programmatic reason to require that a specific percentage of Title IIB funds be charged to training, and it is unclear what the Comptroller intends to show by focusing on the percent of funds charged to training, and how a comparison between States can be made.

* Note 15

As part of our on-going efforts, we are working to clarify policy to ensure that SDAs fully understand and consistently report expenditures to appropriate cost categories based on how their local program is designed.

QUESTION

8. Considering that New York retrains a higher percentage of dislocated workers, should New York's placement rates be higher?

RESPONSE

New York's placement rates for program year 89-90 are significantly higher than those shown in Table 5. While the figures for the majority of the State are complete, those for New York City are not. New York City does not count placements until participants have been on the job for a three month period. As the U.S. Department of Labor de-emphasized (because it was the transition year) the Entered Unsubsidized Employment calculation for PY 1989-90, the statistics for New York City were never formally revised and included in the final quarter's results.

* Note 16



* See State Comptroller's Notes, Appendix C

Regardless of the exact placement rates, New York's program must be judged highly successful. Not only did DOL place a high percentage of its participants despite encountering a national economy that has been arduous for Northeastern States, but it has also surpassed USDOL's expenditure goals. In fact, based on New York's successful expenditure of the original allocation for both Program Year 1990, the period of this review and PY 1991, the State received additional awards of EDWAA funds from the USDOL from funds that were recaptured from underperforming States.

QUESTION

9. In view of New York's high unemployment, should the Governor's programs be re-focused towards job placements?

RESPONSE

The Governor's programs are formulated to provide a variety of needed services to unemployed New Yorkers to mitigate the impact of the loss of employment. Authorized State level activities are specifically defined in the Worker Adjustment Act (WAA), and funds available for each are clearly detailed. The legislation, therefore, establishes program direction and parameters. Based on the provisions of that legislation, the Governor's programs include: rapid response to plant closings and substantial lay-offs; pre-feasibility studies by the Department of Economic Development; State Education Department Employer Skills Training Programs (ESTP); demonstration programs; and WAA discretionary (WA-DISC) funds that are targeted to workers affected by plant closings or substantial layoffs. Of these activities, only the Employer Specific Skill Training programs, annual demonstration programs and WA-DISC funded programs resulted in participant enrollment.

The $51,059 cost per placement cited in the audit report is incorrect for several reasons. First, revised information was received after the audit period which showed that the number of placements recorded on the initial report were understated by about two-thirds. Second, the report utilized by the auditors measured a period (PY 89-90) when most program participants were still in the training phase of their service. As a result, the numbers for PY 89-90, the first year of EDWAA, are not indicative of program operations. Results for PY 90-91, on the other hand, are far more representative. The cost per placement for PY 90-91 was $3,688.

In conclusion, the Governor's programs, although they do not focus exclusively on "job placements," are providing important and needed services and also are producing a high rate of job placements at reasonable costs.

# State Comptroller's Notes

1. The Department has the primary responsibility to measure the relative success of its job service programs. However, the Department has established no measurable standards to provide an empirical basis to evaluate program performance. Without such empirical data, we used data reported to USDOL by New York as well as the other states to indicate the relative performance of New York's programs.

2. We were well aware of the USDOL's statements on cost comparisons. Accordingly, cost comparisons were not an integral part of this study. As shown on page two of this report, we included cost data for some programs for informational purposes only. We also cautioned readers of this report that multiple funding sources support employment service activities in many states and, accordingly, the cost data reported is not always comparable from state to state.

3. The book "Reinventing Government" cites the Department's Community Service Centers in that they provide "one-stop" services for clients; that is, they can obtain several different services at the same location. For example, clients can sign up for unemployment insurance and food stamps and receive information on education and training, child care and jobs at the same location. However, the book does not indicate how effective and efficient the Community Service Centers are in placing unemployed individuals. We noted that an August 1991 GAO report states that local employment service offices that operated separately from UI offices had higher placement rates compared with employment service offices that were collocated with UI offices, similar to the Department's Community Service center concept.

4. As a result of these Department's comments, we contacted GAO about this three state study. They advised us that the Department was contacted because new York uses the community Service Center concept and GAO wanted to collect data on this approach. They indicated that the fact that New York was selected should not be construed to mean that New York's approach is effective.

5. Statements in our report are quotes from USDOL information provided to us by the Department during our study. The information clearly states that placements would continue to be a critical bottom-line performance measure.

6. As a result of the Department's comments, we contacted Department officials to obtain documentation on which states follow the practice indicated to determine how prevalent this practice is. Department officials stated they could not provide any documentation to support these comments.

7. The comments of Department officials do not focus on the issue cited in our report. We referred to these four states as high cost states because they received the highest allotments of Federal Wagner-Peyser funds. The Department's comments concerning salary levels skewing the comparisons is not relevant, because as previously stated, cost comparisons were not an integral part of our study. Our comparisons dealt only with outcomes reported by the states. In addition, New York's reported program outcomes resulted from efforts supported primarily with Wagner-Peyser funding. Outcomes we reported on for the other four high cost states were also funded primarily with Wagner-Peyser funding.

8. Regardless of the emphasis of the other 49 states, our study shows that New York's job service placement and job referral performance has been on the decline. By program year 1990-91, New York ranked 37th in the nation in placements and 48th in job referrals. We also do not believe an audit or study of the other states is needed to conclude that New York's programs need improvement.

9. Both current USDOL information and additional information from the study group confirm the significant role of placements in performance measurement. We find it interesting that the Department made significant changes to its programs without implementing systems that capture documentation necessary to measure a significant element of program results.

10. In considering the Department's response to the draft copy of this report, we requested documentation supporting the enthusiastic response of employers, employees and participating agencies to the self search computer terminals. In response to this request, Department officials provided one study performed by its Poughkeepsie office. Our review of the study indicated that although there was some satisfaction with the services available using the terminals, there was also a considerable level of dissatisfaction.

11. Department officials made similar comments during our study. At that time we requested more detailed information, specifically concerning California and Texas. The officials told us that information on the activities of other states was anecdotal. Department

officials current statements contain no new detailed information that would lead to change our report.

**12.** We do not understand the basis for Department statements that California and Texas serve UI customers almost exclusively. For example, USDOL data shows that both California (49,151) and Texas (15,981) placed significantly more non-UI customers than New York (6,146) did. Furthermore, Texas' Deputy Administrator For Employment Service told us that Texas' reported outcomes are the direct result of making job placements their number one priority.

**13.** Our study does not suggest that New York turn its back on any segment of the unemployed population, but simply that the Department focus its efforts to get more unemployed workers back to work.

**14.** These two deferral criteria were not previously provided to us. Therefore, we cannot determine whether the 285,700 individuals who did not register for Job Service in 1989-90 actually met this criteria.

**15.** Our study does not suggest that SDAs charge similar percentages to the training cost category. Rather, our study shows that New York spent about half the national average per participant on training. Furthermore, according to Department officials, the variances among SDAs may be the direct result from a lack of standard reporting by the SDAs.

**16.** We recently completed field work for an audit of New York State's JTPA program. During that audit, New York City was unable to provide documentation supporting its reported outcomes. The Department is currently reviewing this situation. Since the Department has not yet provided us with any information, we believe the reliability of the outcomes reported by New York City for the dislocated workers program should also be considered questionable.